

Entrepreneurship Development in Micro, Small and Medium Enterprises in India

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Abstract

The Micro, Small and Medium Enterprises (MSMEs) sector has emerged as a highly vibrant and dynamic sector of the Indian economy since ever. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries. These smaller units help in industrialization of rural and backward areas, and thus, help in reducing regional imbalances, resulting in more equitable distribution of national income and wealth. MSMEs support the large industries as ancillary units and contribute enormously to the socio-economic development of a country.

The Ministry of Micro, Small and Medium Enterprises (MoMSME) promotes the development of micro and small enterprises with the objective of creating self-employment prospects and upgrading the relevant skills of existing and prospective entrepreneurs. MoMSME has been implementing various schemes and programs for the promotion and establishment of new enterprises and thus creation of new entrepreneurs.

Entrepreneurship development is one of the major elements for the promotion of micro and small enterprises, particularly, the first generation entrepreneurs. Entrepreneurship, and the resultant creation of employment and wealth, is a principal means for inclusive development. Hence, entrepreneurship development has been one of the priorities in the countries world over.

To make ensure that young entrepreneurs are encouraged and suitably equipped to go into new ventures, the MoMSME has been providing assistance for establishment of Training Institutions/ Entrepreneurship Development Institutes (EDIs) for imparting entrepreneurship and skill development training. These EDIs are providing entrepreneurship and skill development training to the first generation entrepreneurs and helping and supporting them in the establishment of their enterprises. Government has been making consistent and concerted efforts to accelerate and promote entrepreneurship by providing support for strengthening of training infrastructure as well as program support.

MoMSME has set up three National level Entrepreneurship Development Institutes namely: National Institute for Micro, Small and Medium Enterprises (NIMSME), Hyderabad; National Institute for Entrepreneurship and Small Business Development (NIESBUD), Noida and Indian Institute of Entrepreneurship (IIE), Guwahati to undertake the task of entrepreneurship and skill development on a regular basis.

MoMSME has also been supporting the efforts of State Governments/ Union Territories, Industry Associations, Financial Institutions, Technical/ Management Institutions, other Non-Governmental Organizations (NGOs), etc. for establishment of new training institutions, as well as strengthening of the infrastructure of existing training institutions.

The main objectives of the schemes are development of indigenous entrepreneurship from all walks of life for developing new micro and small enterprises, enlarging the entrepreneurial base and encouraging self-employment

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in rural as well as urban areas, by providing training to first generation entrepreneurs and assisting them in setting up of enterprises.

This paper studies the efforts made by the three national level entrepreneurship development institutes developed by the MoMSME, namely; National Institute for Entrepreneurship and Small Business Development (NIESBUD), Noida, National Institute for Micro, Small and Medium Enterprises (NIMSME), Hyderabad and Indian Institute of Entrepreneurship (IIE), Guwahati. The secondary data has been taken from the annual reports of various organizations related to the promotion of entrepreneurship development.

Micro Small and Medium Enterprises

Small and medium enterprises (SMEs) are also known as small and medium business (SMBs). These are the companies whose headcount or investment falls below certain limits. The abbreviation SME occurs commonly in the European Union whereas the term small and medium sized businesses or SMBs is predominantly used in the USA. In India, Ministry of Agro and Rural Industries and Ministry of Small Scale Industries have been merged into a single ministry named 'Ministry of Micro, Small and Medium Enterprises' in May 2007.

In India Micro, Small and Medium enterprises are defined on the basis of their investment in plant and machinery (for manufacturing enterprises) and on equipment (for enterprises providing services). This defined limit on investment for enterprises classifies them as micro, small or medium enterprises. **Refer Table I**

The micro and small enterprises have been accepted as the engine of economic growth and for promoting equitable development, worldwide. In India too, these MSEs play a pivotal role. The Sector consists of 26.1 million units and provides employment to over 60 million persons. The Sector through more than 6,000 products contributes about 8% to GDP besides 45% to the total manufacturing output and 40% to the exports from the country. The Sector is expected to perform an equal important role during the XII Five Year Plan Period (2012-13 to 2016-17) in enabling the country to achieve the envisaged overall growth rate of 9% during the Plan. The Government

has been providing support and sustenance to the Sector through a plethora of programs and policies. The performance of the Sector becomes more striking when viewed in light of almost employment less growth witnessed in the Manufacturing Sector and not up-to-the mark progress on agricultural front. The Sector has also the distinction of creating comparatively much more employment per unit of investment than the Manufacturing Sector.

It has been felt that the envisioned growth rate will be difficult to achieve if adequate employment opportunities are not created for the burgeoning work force of the country. This to a large extent can be made possible if these persons can be imparted training in the industry required skills. Presently, there is a serious shortage of skills in the country. Only 6% persons in India are skilled. The comparative figure for Korea is 96%, Japan 80%, Germany 75% and United Kingdom 68%. While there is a large unemployment in India, persons with right skill are not available. In order to reap the demographic dividend and also to provide gainful employment to the large battery of unemployed youth, the Government has embarked upon an ambitious plan of skilling large number of youth thus improving their employability. A total of 500 million persons are to be trained in relevant skills by 2022. As a part of the massive program, the Ministry of MSME has taken up skill development on a large scale.

Entrepreneurship has been considered as the backbone of economic development. It has been well established that the level of economic growth of a region to a large extent, depends upon the level of entrepreneurial activities in the region. The myth that entrepreneurs are born, no more holds good, rather it is well recognized now that the entrepreneurs can be created and nurtured through appropriate interventions in the form of entrepreneurship development training.

Entrepreneurial Development Program

Entrepreneurial Development Program means a program conducted to help a person in strengthening his entrepreneurial motive and in acquiring skills and capabilities required for promoting and running an enterprise efficiently. These programs are conducted with a motive to promote potential

entrepreneurs, understanding of motives, motivational pattern, their impact on behavior and entrepreneurial value. These programs give information to the prospective entrepreneurs regarding new business idea, how to set up a new venture, how to prepare a project report, sources of finance etc. A well designed EDP envisages three tiered approach:

- Developing achievement motivation and sharpening entrepreneurial traits and behavior.
- Guidance on industrial opportunities, incentives, facilities and rules and regulations.
- Developing managerial and operational capabilities.

Entrepreneurs are considered as agents of economic growth. They generate wealth, create employment opportunities, provide new goods and services and raise the standard of living. EDP is an effectual way to develop entrepreneurs which can help in picking up the pace of socio-economic development, balanced regional growth, and exploitation of locally available resources. It also creates self-employment. EDPs equip entrepreneurs and make them competent to anticipate and deal with a variety of problems that any entrepreneur may have to face. It gives confidence to the entrepreneur to face uncertainties and take profitable risks. It prepares them to deserve and make good use of various forms of assistance.

EDP can be beneficial in the following ways:

- EDP leads to industrialization and is path of economic growth through entrepreneurship.
- EDP helps in spreading of economic activities in different areas by providing training and other support to the locals.
- EDPs provide opportunities of self-employment and entrepreneurial careers and thus helps eradicate poverty through employment generation.
- The optimum use of natural, financial and human resources can be made in an economy by training and educating the entrepreneurs.

- EDPs develop motivation, competence and skills required for successful launching, management and growth of an enterprise.
- EDP, by inculcating entrepreneurial capabilities and skills in the trainees, creates new generation entrepreneurs who previously were not job creators and were just job seekers.

Entrepreneurship development and training is one of the key elements for the promotion of micro, small and medium enterprises (MSMEs), especially for creation of new enterprises by the first generation entrepreneurs. In order to inculcate the entrepreneurial culture amongst the first generation of entrepreneurs on a regular basis, the Ministry has set up three national level Entrepreneurship Development Institutes viz; National Institute for Micro, Small and Medium Enterprises (Ni-MSME) at Hyderabad, the National Institute for Entrepreneurship and Small Business Development (NIESBUD) at Noida and Indian Institute of Entrepreneurship (IIE) at Guwahati, as autonomous societies. These institutes are engaged in developing training modules; undertaking research & training; and providing consultancy services for entrepreneurship development & promotion of MSMEs, including enhancement of their competitiveness.

National Institute for Entrepreneurship and Small Business Development (NIESBUD), Noida

NIESBUD is an apex body under the Ministry of Micro, Small & Medium Enterprises, Government of India, established in 1983, for coordinating and overseeing the activities of various institutions/agencies engaged in entrepreneurship development particularly in the area of small industry and small business.

The basic objective for which the Institute has been established is to promote and develop Micro, Small and Medium Enterprises and enhancing their competitiveness through various activities.

The major activities of the Institute include identifying requirements and conducting training programs aimed at entrepreneurship development for different target groups including members of

various Government and NGOs engaged in supporting and promoting entrepreneurship; evolving and standardizing field tested strategies and methodologies of developing entrepreneurship to suit the respective locations and target groups and clusters; gathering, analyzing and processing information needed for formulation of policies and implementing programs related to self-employment, entrepreneurship and industrial development; undertaking documentation and disseminating information related to entrepreneurship/ enterprise development; studying problems and conducting researches/review studies etc. for generating knowledge for accelerating the process of entrepreneurship development culminating into establishment of new economic ventures; evolving, designing and helping use of various media for promoting the culture of entrepreneurship among different strata of society.

The Institute has Conducted a total of 5023 Training Programs covering 1,33,863 participants which includes 151 international training programs with 2,285 Participants from more than 125 Countries till 31st October 2012.

The **table II** shows the various training programs conducted by the institute from 2009-10 to 2012-13. The table reveals that number of training programs conducted by the institute have increased by 450 percent while the number of participants has registered a growth of around 300 percent in these four years. These programs are helping the job seekers to get jobs and start their entrepreneurship. These programs are helping the unskilled and/ or unemployed with requisite skills and knowledge. The numbers are inspiring when looked at, but when compared to the population of our country and the need, these numbers give a very docile picture.

Indian Institute of Entrepreneurship (IIE), Guwahati

With an aim to undertake training, research and consultancy activities in small and micro enterprises focusing on entrepreneurship development, the Indian Institute of Entrepreneurship (IIE) was established in the year 1993 in Guwahati by the erstwhile Ministry of Industry (now the Ministry of Micro, Small and Medium Enterprises),

Government of India as an autonomous national institute.

The activities of the Institute include identification of training needs, designing and organizing programmes both for development functionaries and entrepreneurs; evolving effective training strategies and methodologies for different target groups and locations; organize seminars, workshops and conferences for providing for a for interaction and exchange of views by various agencies and entrepreneurs; undertaking research on entrepreneurship development, documenting and disseminating information needed for policy formulation and implementation on self-employment and entrepreneurship.

IIE acts as a catalyst for entrepreneurship development by creating an environment for entrepreneurship in the support system, developing new entrepreneurship, helping in the growth of existing entrepreneurs and propagation of entrepreneurial education. The institute since its establishment has conducted 4312 programs/ workshops/ seminars/meets and trained 1,45,508 persons.

Table III shows the performance of IIE from 2009-10 to 2012-13. During the year 2011-12, the institute had organized 772 programs for target groups with 25,079 participants while during the year 2012It may be noticed from the table that there is 350 percent increase in the programs conducted by the institute while the increase in participants is around 240 per cent over the period of these four years. In accordance with the policy of the MoMSME for accelerating the spread of entrepreneurial culture the institute has been striving hard to spreading the message.

National Institute For Micro, Small and Medium Enterprises (Ni-MSME), Hyderabad,

National Institute for Micro, Small and Medium Enterprises (Ni-MSME) was established in 1960 and was formerly known as National Institute of Small Industry Extension Training (NISIET). The academic activities are organized through Schools of Excellence, each School consisting of theme focused centers and cells. The Academic Council is the nucleus coordinating body, which formulates

academic activities and programs with quantitative and qualitative benchmarks by providing a framework for assessment and evaluation addressing contextual variations.

In line with the national objective of economic development through industrialization, and based on the expertise that is available, the Institute has identified some thrust areas that need emphasis and exploration. These are: Entrepreneurship Research, Women Entrepreneurship, Technology Up gradation & Transfer, Policy Issues, NGO Networking, Environment Concerns, Cluster Development, Management Consultancy, Quality Management Services, Financial Services, and Information Services.

Enterprise promotion and entrepreneurship development being the central focus of Ni-MSME's functions, the Institute's competencies converge on the following aspects:-

- Enabling enterprise creation;
- Capacity building for enterprise growth and sustainability;
- Creation, development and dissemination of enterprise knowledge
- Diagnostic and developmental studies for policy formulation; and
- Empowering the under-privileged through enterprises

Ni-MSME is striving hard to help the target group by conducting various programs. The institute had conducted 772 programs in 2011-12, training total of 25079 people. It has objective of training 56088 people through 1704 training programs. Over the period of four years there has been around 400% growth number of trainees while programs conducted by the institute grew by 450%. Refer Table IV

Impact of EDPs

Developing entrepreneurship has become a movement in India in the recent years. EDPs have been considered as an effective instrument for developing entrepreneurship in the countryside.

Hundreds of EDPs are conducted every year by various agencies to impart entrepreneurial training to thousands of participants. The main objective of EDPs is to make the EDP trainee an enterprise creator. Hence, it seems necessary to see whether the objective of EDPs is fulfilled or not. In simple words, there is a need to have a retrospective look into how many participants have actually started their own enterprises after completing the training or have gained employment. This calls for evaluation of the EDPs.

An EDP equips an entrepreneur with the required knowledge and exposure, helps in establishing a business unit or getting an employment. Thus the success of an EDP can be measured by the number of participants who get gainfully employed or set up their own enterprises. Table No.4 shows the percentage of participants who got gainfully employed or started their own enterprises after attending EDPs of the three EDIs.

NIESBUD has only been able to create 17.65 percent entrepreneurs in the years 2012-13. The success rates of the other two EDIs; IIE and Ni-MSME are better than NIESBUD. The success rate of the all the three institutes are below 50 per cent and not even a single EDI has achieved the 50 percent mark. Refer Table V

In nutshell, the effectiveness of EDPs cannot be considered as impressive because about 08 out of every 10 trainees did not start enterprises after undergoing the EDP training or got employed. Even the EDIs have set up a low target of 25-30% of the total trainees to get established or get employed. The target itself shows the expectations from these EDPs are not very high. It means there are some problems or lapses here and there in conducting the EDPs. Therefore, there lies the need for looking for the problems and constraints of EDPs. And getting these solved.

Measures to Boost Entrepreneurship Development Programs

The Ministry of Micro, Small and Medium Enterprises has made an excellent attempt through various reforms and schemes to boost the development of new entrepreneurship but there is always scope for further improvement. The followings

measures have to be taken to boost the entrepreneurship programs in India.

- **Creating the Awareness of Entrepreneurship at Grass Root Level:** In order to shift the trend from wage employment to self employment the individual will have to be groomed at any early age by creating the awareness of self employment and by incorporating the vocational subjects in educational system starting from primary education only. The system should be followed very religious in the true spirit of its reality.
- **Inclusion of Skill Sets Relating To Agriculture Sector:** Primary sector of the economy must be catered to through specialized EDPs. EDPs related to food processing should be given more weightage. Enterprises which can be set up by agriculturists must be popularized by these EDPs.
- **Simplifying the Loan Procedure:** In spite of various reforms being incorporated by the Govt. to set up the new units, still there are numbers of formalities required by the entrepreneur to undergo before getting the loans. These formalities need a fresh look which should be reduced to the bare minimum requirements of the bank so that minimum time, after the projects has been finalized, is taken to bring it in operational stage. The loan procedure should be streamlined so that entrepreneur does not experience harassment before setting up his new entrepreneur.
- **Practical Outlook of Special Schemes:** The schemes like Prime Minister Rozgar Yojna (PMRY) and District Rural Industrial Project (DRIP) should be executed in true spirit of their organization. A special independent and comparative authority should be assigned to implement these programs. A very deliberate effort is required to select the suitable entrepreneur under these schemes. The selection should be made after the candidates have been imparted the awareness training on entrepreneurship. The govt. and private institutes should be assigned the task of imparting the entrepreneurship awareness me. However, special training me should be planned immediately after selection.
- **Marketing Oriented Entrepreneurship:** Till date more emphasis is given to technically qualified persons for the development of the entrepreneurship. However, there is need in the present context to develop the marketing oriented entrepreneurship. Thus, the economic reforms of the Indian Govt. have given a new term to the development of new entrepreneurship. The globalization and opening up the economy and the liberalization policy had widened the scope of entrepreneurship in the domestic market as well as in the international market.
- **Extensive Expansion of EDPs:** The ministry through its branches must expand EDPs extensively by increasing the trades under its various EDPs. New trades must be included in the EDP list and the required changes should also be made in the course content according to the need of the hour. For this concentration should be on the development of linkages of these EDIs with industrial/ trade/ export associations for identification of the skill sets/ trades witnessing deficiency in skilled manpower supply. The practicing entrepreneurs, representatives of industries, financial institutions, associations for modification of the course curriculum, interaction with the participants etc. for better outcome of training.
- **Co-ordination with Institutions of Higher Learning :** Close Co-ordination with the Institutions of Higher Learning like IIMs, IITs etc. and other National and International level EDIs for organizing collaborative activities in the following indicative areas :
 - a) Undertaking collaborative training and research activities in India & abroad;
 - b) Exchanging the faculties in the entrepreneurship and allied areas;

- c) Learning from each others' respective experiences;
- d) Revising the existing course content & formulation of new courses in light of the emerging scenario;
- e) Developing newer training aids for the larger benefit of the participants.
- Entrepreneurship Development Training Program by Government/private institutions
 - (a) Entrepreneurship Motivation Program: The Program is required to create the awareness among the people in general and providing guidelines to the interested individuals for setting up the new business units in particular.
 - (b) Special Program: There may be the need of planning special Programs, separately for different types of entrepreneurs, for example the technicians entrepreneur is comfortable with the problems relating to production, designing and technology but he may not comfortable in the area of market, finance etc. Hence, this category of entrepreneurs needs to undergo special training in the area of market, finance, etc. However, the persons having trading business background find difficulty in the areas of production and technology; these persons need to be trained in technology and production.
 - (c) Guidance for trading and servicing business: The persons interested in setting up trading/ services unit should be imparted training separately from the individuals as mentioned in the above paragraph. A special training program is required to be made and more emphasis should be given to cover the subject on marketing of servicing.
 - (d) Follow up Action: Institutions/organizations conducting the entrepreneurship me should have a system to monitor the progress of their students in all the stages of business life cycle and provide them the guidance as when asked for.

- **Collaborative arrangements with Industry:** Promoting collaborative arrangements with specialized institutions/industry leaders for increasing the employability of the participants and provision of post-training hand-holding support especially to first-generation entrepreneurs.
- **Holistic and Integrated Selection Procedure:** There are reasons and evidences to believe that the most of the selection procedures are developed keeping in mind the educated urban population. Thus, these procedures are found unsuitable for the rural population. Therefore, there is need to develop an integrated and holistic selection procedure to make them applicable to a wider section of the population.
- **Follow-ups:** the ultimate objective of EDPs is to prepare the participants to start their enterprises. This phase, therefore, involves assessment to judge how far the objectives of the program have been achieved. Follow-up indicates our past performance, drawbacks, if any, in our past work and suggests guidelines for framing future policies to improve our performance.

Conclusion

The role of micro, small and medium enterprises (MSMEs) in the economic and social development of the country cannot be ignored. The MSME sector is a kindergarten of entrepreneurship and is driven by individual creativity and innovation. This sector has significantly contributed to the overall growth in terms of the gross domestic product (GDP), employment generation and exports.

The industrial development is based on the entrepreneurial abilities of the people. Hence, the concept of building entrepreneurship promotion is the foremost need of the hour. The failure of many companies has also been attributed to the entrepreneurial factor and entrepreneurial skills that are required for the success of a business. Through the power of EDPs, the Ministry of Micro, Small and Medium enterprises, Government of India has

given attention to the development of this skill among MSMEs to keep the units healthy, to revive Sick units and to generate employment in this sector.

The study reveals that the efforts by the three national EDIs under the flagship of MoMSME, of providing skills and knowledge through EDPs are very admirable. But the efforts are not very fruitful, as the average success rate of EDPs is only around 20 percent. So there is a need to rethink and restructure these EDPs.

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Table I : Definition of Micro, Small and Medium Enterprise in India

Classification	Manufacturing Enterprises*	Service Enterprises**
Micro	Rs. 2.5 Million/ Rs. 25 Lakhs	Rs. 1 Million/ Rs. 10 Lakhs
Small	Rs. 50 Million/ Rs. 5 Crores	Rs. 20 Million/ Rs. 2 Crores
Medium	Rs. 100 Million/ Rs. 10 Crores	Rs. 50 Million/ Rs. 5 Crores
* Investment limit in Plant & Machinery		** investment limit in Equipment
Source: Annual Report, Ministry of Micro, Small and Medium Enterprises, Government of India, 2012 -13.		

Table II : Performance of NIESBUD from 2009 - 10 to 2012-13

Type Of Program	2009-2010		2010-2011		2011-2012		2012-2013	
	No. of Programs	No. of Participants	No. of Programs	No. of Participants	No. of Programs	No. of Participants	No. of Programs	No. of Participants
Trainers/Promoters Training & Small Business Opportunities Programs	21	380	13	214	25	532	16	275
Entrepreneurship Development Programs(EDPs)	131	3426	225	5693	63	1684	-	-
International Training Program	03	48	05	88	5	89	8	132
Seminar, Workshops & Conferences etc.	110	5378	88	4969	3	80	6	481
Total	265	9232	331	10964	961	23708	1470	36864
Source: Various Annual Reports of Ministry of Micro, Small and Medium Enterprises, Government of India.								

Table III : Performance of IIE from 2009-10 to 2012-13

Type Of Program	2009-2010		2010-2011		2011-2012		2012-2013	
	No. of Programs	No. of Participants	No. of Programs	No. of Participants	No. of Programs	No. of Participants	No. of Programs	No. of Participants
Entrepreneurship Development Programs(EDP)	114	3045	121	3246	91	2839	14	383
Entrepreneurship and Skill Development Programs(ESDP) & skill Development Programs (SDPs)	11	284	350	9393	625	17983	1251	37025
Management Development Programs (MDPs)	45	1292	20	568	10	234	22	637
Others	127	7403	65	3630	89	5528	50	251
Total	297	12024	556	16837	815	26584	1337	40616

Source: Various Annual Reports of Ministry of Micro, Small and Medium Enterprises, Government of India.

Table IV : Performance of Ni-MSME from 2009-10 to 2012-13

Type Of Program	2009-2010		2010-2011		2011-2012		2012-2013	
	No. of Programs	No. of Participants	No. of Programs	No. of Participants	No. of Programs	No. of Participants	No. of Programs	No. of Participants
Programs under Assistance to Training Institutions sponsored by MoMSME and other EDPs	53	1949	463	12684	536	15390	1029	29734
National Programs	67	2584	110	3962	91	4572	580	21534
International Programs	14	253	21	345	24	412	25	429
Seminars & Workshops	95	6779	71	4921	47	4705	58	4391
Consultancy & Research	76	-	91	-	74	-	12	-
Total	305	11565	756	21912	772	25079	1704	56088

Source: Various Annual Reports of Ministry of Micro, Small and Medium Enterprises, Government of India.

Table V : Success Rate of EDPs of Three EDIs

Institute	2011-2012		2012-13	
	Started Enterprise	Wage Employment	Started Enterprise	Wage Employment
NIESBUD	4.88%	10.50%	17.65%	2.56%
IIE	1.83%	29.74%	39.57%	13.53%
Ni-MSME	29.7%		41%	

Source: Various Annual Reports of Ministry of Micro, Small and Medium Enterprises, Government of India.